

Steven J. Pitterle
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February 26, 2001

Mr. John J. Grieve
General Counsel
Lightyear Communications Inc.
1901 Eastpoint Parkway
Louisville, KY 40223

Dear Mr. Grieve:

Verizon South Inc., f/k/a GTE South Incorporated ("Verizon"), has received your letter stating that, under Section 252(i) of the Telecommunications Act of 1996 (the "Act"), Lightyear Communications Inc. ("Lightyear") wishes to adopt the terms of the Interconnection Agreement between Gulf Coast Communications, Inc. ("Gulf Coast") and Verizon that was approved by the Kentucky Public Service Commission (the "Commission") as an effective agreement in the Commonwealth of Kentucky in Docket No. 00037 (the "Terms").¹ I understand Lightyear has a copy of the Terms. Please note the following with respect to Lightyear's adoption of the Terms.

1. By Lightyear's countersignature on this letter, Lightyear hereby represents and agrees to the following three points:
 - (A) Lightyear adopts (and agrees to be bound by) the Terms of the Gulf Coast agreement for interconnection with Verizon as it is in effect on the date hereof after giving effect to operation of law, and in applying the Terms, agrees that Lightyear shall be substituted in place of Gulf Coast Communications, Inc. and Gulf Coast in the Terms wherever appropriate.
 - (B) Lightyear requests that notice to Lightyear as may be required under the Terms shall be provided as follows:

To : Lightyear Communications Inc.
Attention: Mr. John Grieve
1901 Eastpoint Parkway

¹ These "agreements" are not agreements in the generally accepted understanding of that term. Verizon was required to accept these agreements, which were required to reflect then-effective FCC rules and other applicable law.

Louisville, KY 40223
Telephone number: 502/244-6666 x1248
FAX number: 502/515-4138

- (C) Lightyear represents and warrants that it is a certified provider of local telecommunications service in the Commonwealth of Kentucky, and that its adoption of the Terms will cover services in the Commonwealth of Kentucky only.
2. Lightyear's adoption of the Gulf Coast agreement Terms shall become effective upon the date of filing of this adoption letter with the Commission (which filing Verizon will promptly make upon receipt of an original of this letter countersigned by Lightyear) and remain in effect no longer than the date the Gulf Coast agreement Terms are terminated or expire. The Gulf Coast agreement is currently scheduled to expire on July 15, 2002.
 3. As the Terms are being adopted by you pursuant to your statutory rights under section 252(i), Verizon does not provide the Terms to you as either a voluntary or negotiated agreement. The filing and performance by Verizon of the Terms does not in any way constitute a waiver by Verizon of any position as to the Terms or a portion thereof, nor does it constitute a waiver by Verizon of all rights and remedies it may have to seek review of the Terms, or to seek review in any way of any provisions included in these Terms as a result of Lightyear's 252(i) election.
 4. On January 25, 1999, the Supreme Court of the United States ("Court") issued its decision on the appeals of the Eighth Circuit's decision in *Iowa Utilities Board*. Specifically, the Supreme Court modified several of the FCC's and the Eighth Circuit's rulings regarding unbundled network elements and pricing requirements under the Act. *AT&T Corp. v. Iowa Utilities Board*, 119 S. Ct. 721 (1999). Certain provisions of the Terms may be void or unenforceable as a result of the Court's decision of January 25, 1999, the United States Eighth Circuit Court of Appeals' recent decision in Docket No. 96-3321 regarding the FCC's pricing rules, and the current appeal before the U.S. Supreme Court regarding the FCC's new UNE rules. Moreover, nothing herein shall be construed as or is intended to be a concession or admission by Verizon that any provision in the Terms complies with the rights and duties imposed by the Act, the decisions of the FCC and the Commissions, the decisions of the courts, or other law, and Verizon expressly reserves its full right to assert and pursue claims arising from or related to the Terms.
 5. Verizon reserves the right to deny Lightyear's adoption and/or application of the Terms, in whole or in part, at any time:
 - (a) when the costs of providing the Terms to Lightyear are greater than the costs of providing them to Gulf Coast;
 - (b) if the provision of the Terms to Lightyear is not technically feasible;and/or

- (c) to the extent that Verizon otherwise is not required to make the Terms available to Lightyear under applicable law.
6. As noted above, pursuant to Rule 809, the FCC gave ILECs the ability to deny 252(i) adoptions in those instances where the cost of providing the service to the requesting carrier is higher than that incurred to serve the initial carrier or there is a technical incompatibility issue. The issue of reciprocal compensation for traffic destined for the Internet falls within this exception. Verizon never intended for Internet traffic passing through a telecommunications carrier to be included within the definition of local traffic and subject to the corresponding obligation of reciprocal compensation. Whatever doubt any party may have had with respect to this issue was removed by the Declaratory Ruling that the Federal Communications Commission (the “FCC”) released on February 26, 1999 which, among other things, “conclude[d] . . . that ISP-bound traffic is non-local interstate traffic.”² The FCC also reaffirmed that “section 251(b)(5) of the Act and [the FCC] rules promulgated pursuant to that provision concern inter-carrier compensation for interconnected *local* telecommunications traffic.”³ Based on the FCC’s Declaratory Ruling (among other things), it is clear that Internet traffic is not local traffic. Despite the foregoing, some forums have required reciprocal compensation to be paid. This produces the situation where the cost of providing the service is not cost based. With this in mind, Verizon opposes, and reserves the right to deny, the adoption and/or the application of the provisions of the Terms that might be interpreted to characterize traffic destined for Internet as local traffic or requiring the payment of reciprocal compensation. However, Verizon shall, in any case, comply with the requirement of applicable law with respect to this issue.
7. Should Lightyear attempt to apply the Terms in a manner that conflicts with paragraphs 3-6 above, Verizon reserves its rights to seek appropriate legal and/or equitable relief.

Please sign this letter on the space provided below.

² Declaratory Ruling in FCC CC Docket No. 96-98 and Notice of Proposed Rulemaking in CC Docket No. 99-68 (rel. February 26, 1999), fn. 87. The D.C. Circuit Court has recently asked the FCC to explain more fully its reasoning in arriving at this conclusion in the Declaratory Ruling, but it has not rejected the conclusion. The FCC, moreover, has publicly since reiterated the correctness of its conclusion.

³ Id. (emphasis in original).

Sincerely,

VERIZON SOUTH INC.

Steven J. Pitterle
Director – Negotiations
Network Services

Reviewed and countersigned as to points A, B, and C of paragraph 1:

LIGHTYEAR COMMUNICATIONS INC.

(SIGNATURE)

(PRINT NAME)

c: R. Ragsdale – Verizon
D. Inscho - Verizon